
IDAHO COLLEGE SAVINGS PROGRAM

The Idaho College Savings Program allows you to establish an account and retain control of it while receiving a tax benefit for saving money towards the higher education of a designated beneficiary.

The Idaho College Savings Program Board chose TIAA-CREF Tuition Financing, Inc. to serve as the program manager. TIAA-CREF established the IDeal Program, which offers a variety of investment options.

How do I establish an account?

If you wish to establish an IDeal account, you must contact TIAA-CREF. **You cannot establish an account that qualifies as an Idaho College Savings Account at any other financial institution.** You can reach TIAA-CREF by calling (866) 433-2533 toll free or visiting the Web site at www.idsave.org.

When you establish the account, you become the account owner. You must name the designated beneficiary who will use the funds to pay his or her higher education expenses.

What is “higher education”?

Higher education is education beyond high school at a qualifying educational institution. Qualifying educational institutions include accredited private or public colleges, universities, and trade or graduate schools that are eligible to participate in the Department of Education student aid programs. They include

educational institutions throughout the United States and some schools abroad.

What higher education expenses qualify?

The qualifying higher education expenses include books, tuition, fees, supplies, and equipment required for enrollment at a qualifying educational institution. If the designated beneficiary is enrolled for at least half time, it also includes some room and board. The room and board is limited to the amount normally charged by that institution for on-campus living.

You can make arrangements to have TIAA-CREF send the tuition check directly to the qualifying educational institution the beneficiary is attending. To be reimbursed for the other expenses, you must send your receipts to TIAA-CREF.

What are the tax benefits?

The amount contributed to the account can be taken as an Idaho income tax deduction of up to \$4,000 per year (\$8,000 if you are married and file a joint return). You must make the contribution by December 31 in order to claim the deduction for that calendar year. The contribution cannot be taken as a federal income tax deduction. Neither the state nor the federal government will tax the amount the account earns, while the funds remain in the account.

What if the designated beneficiary does not use the account?

You can transfer the account to a family member of the beneficiary to provide for his

or her qualified higher education without penalty and without the earnings being subject to income tax. (A transfer may be subject to the gift tax or the generation-skipping transfer tax. See your tax professional.) For the IDeal Program, “family member” means one of the following:

- Spouse
- Child or stepchild
- Grandchild
- Brother, sister, stepbrother, or stepsister
- Parent or grandparent
- Stepmother or stepfather
- Niece or nephew
- Aunt or uncle
- Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law
- Spouse of any individual listed above
- First cousin

What happens if I withdraw the money from the account?

If the withdrawal is used to pay the beneficiary’s qualified higher education expenses, the beneficiary does not owe federal or state income tax on the earnings or the principal.

If the withdrawal is not used to provide higher education for the beneficiary for reasons other than the death, disability, or scholarship award of the beneficiary, the person who receives the money owes federal income tax and the federal 10% additional tax on the earnings portion of the withdrawal. The account owner owes state income tax on the earnings and principal portions of the withdrawal.

If the withdrawal is due to the death, disability, or scholarship award of the beneficiary, it is not subject to the federal 10% additional tax. However, the person who receives the money may owe federal and state income tax on the earnings portion of the withdrawal.

Can I still benefit from the other tax incentives for higher education?

You can claim a Hope or Lifetime Learning Credit (education credit) in the same year the beneficiary takes a tax-free distribution from the Idaho College Savings Program, as long as the same expenses are not used for both benefits.

In determining a student's eligibility for financial aid to attend college, the balance in the Idaho College Savings Program will be treated as an asset of the beneficiary or of the beneficiary's parents.

Can I transfer ownership of the account?

You can transfer account ownership to a qualified person without penalty, if

- the transfer is irrevocable, and
- all the powers of ownership transfer.

You can designate a contingent account owner to become the owner of your account upon your death.

How do I contribute to the account?

The minimum contribution you can make at any time is \$25, unless you make the contribution through your employer as a payroll deduction. The minimum payroll deduction is \$15. You must make the contribution by December 31 in order to claim the deduction for that calendar year. The contribution is considered made when it is postmarked.

The Idaho income tax deduction is limited to \$4,000 per year (\$8,000 for a married couple filing a joint return). The account balance cannot exceed \$235,000.

You do not have to be the account owner to contribute to an account and take the deduction.

This brochure is prepared by the Idaho State Tax Commission and is intended to provide a brief overview of the Idaho College Savings Program. It is not intended to provide comprehensive information. For more information call TIAA-CREF Tuition Financing, Inc. toll free at (866)433-2533 or visit the Web site at www.idsave.org.

Costs associated with this publication are available from the Idaho State Tax Commission in accordance with section 60-202, Idaho Code.



Tax Commission
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